

Medicare Elections




California State Teachers' Retirement System
"Committed to lifetime security and service"



Presented to:
Teachers' Retirement Board – Health Benefits Committee
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Medicare Elections

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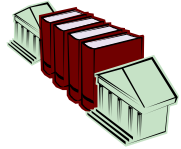
Medicare Issues


Issue #1

- Not all school districts offered the Medicare election to their eligible employees.

Issue #2



- Balanced Budget Act of 1997, Public Law 105-33
 - (a) Provides for premium-free Medicare Part A
 - (b) Established Medicare + Choice plans





History – Social Security (1935)

- Old-Age Survivors and Disability Insurance (OASDI) program also known as Social Security, was established
 - Originally a modest retirement plan for employees of private industry
 - Employees of state and local governments were excluded from coverage
 - Constitutional question of levying the employer portion of the Social Security tax on state and local government





History – Social Security (1955)

- California Teachers Association conducted an one-time election for certificated school employees
- Teachers rejected Social Security coverage on full-time service by a 4 to 1 margin



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History – Social Security

Eligibility

- Individual credits on the basis of annual earnings (up to four credits in any year)
- 40 credits needed to qualify for retirement benefits (about 10 years of work)

Example for 1999

- \$740 in earnings = 1 credit (1 quarter)
- \$2960 in earnings = 4 credits (4 quarters)



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History – Medicare (1965)

- Established as a part of the Social Security System.
- Provide two-part medical coverage:
 - Part A Covers:
 - A portion of the costs of hospitalization
 - Limited nursing-home care
 - Benefits for skilled nursing facility care
 - Home health services and hospice care
 - Part B Covers:
 - Doctors' fees
 - Most outpatient hospital services
 - Certain related services
 - No prescription coverage
- Not mandated on non-Social Security Systems, such as, CalSTRS



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History – Medicare 1965 (Continued)

Medicare Eligibility

- Age 65 or older
- Have 40 or more quarters of paid Medicare taxes
- Entitled to the Original Medicare Plan





History – Medicare (1985)

Medicare Changes

- Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA)
 - Requires all public employees hired on or after April 1, 1986 to participate in Medicare
 - Workers employed prior to April 1, 1986 allowed to elect Medicare coverage, under specified conditions





History – Chapter 1006, Statutes of 1989

AB 265 (Elder)

- Allowed public school district to hold elections for Medicare coverage
 - Employee must be hired prior to April 1, 1986 and be an active member of CalSTRS at the time of the election
 - Employee must be continuously employed through the date of the employer's election for Medicare
 - Employer and Employee required to pay for coverage (currently 1.45%)

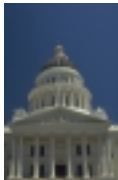




History – Chapter 1006, Statutes of 1989 Continued

AB 265 (Elder)

- Application period for employers is extended through June 30, 2004
- Medicare election process takes approximately one year





History – Balanced Budget Act (1997)

- Provides relief from premiums for CalSTRS retired members who are not entitled to Medicare Part A, or their beneficiaries
- Established Medicare+Choice (M+C) plans





Issue 1: Not all school districts offered the Medicare election to their eligible employees.

- Prior to April 1, 1986, CalSTRS members did not participate in the Medicare Program
- They do not qualify for Medicare coverage because:
 - Did not work 40 quarters under Social Security covered-employment; or
 - Qualify under a spouse's employment; or
 - Pay Medicare taxes during the course of their working years.





Issue 1: Complexities

- There are active CalSTRS members hired prior to April 1, 1986, that have not been allowed to participate in the Medicare election process



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Issue 1: Recommended Action

- Encourage employers to participate in the election for Medicare coverage for those employees hired prior to April 1, 1986.
- To enter into an agreement for Medicare coverage, employers must follow procedures available from CalPERS



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Issue 2(a): Provides for premium-free Medicare Part A

Balanced Budget Act of 1997

- Provided relief for the "most needy"; retirees who pay their monthly Medicare Part A premiums
- Premium free coverage for individual who;
 - Pays reduced premiums for 7 years
 - Earned at least 10 years of service credit under non-qualified employment
 - And other qualifying conditions



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Medicare Elections



Issue 2(a): Complexities

- A retiree must pay premiums for seven years, and
- Have not had the Medicare Part A premiums paid for on their behalf, in whole or in part, by an employer to become eligible for premium free Medicare Part A



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Issue 2(a): Complexities Continued



- A change would require an amendment to the Balanced Budget Act of 1997
- No interest in Washington D.C. to provide free Medicare to retirees who have their Medicare paid by the employer

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Issue 2(b): Establish Medicare + Choice plan

Balanced Budget Act of 1997

- Medicare approved network of doctors, hospitals and other health care providers that agree to give care in return for a set monthly payment from Medicare
- Individuals must enroll in Medicare Parts A and B, and pay the Part B monthly premium



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Issue 2(b): Establish Medicare+Choice Plan Continued

- Availability and costs vary by geographic location
- Covers the services covered by the Original Medicare Plan
- Additional services, such as prescription medication may be offered by same plans



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Issue 2(b): Complexities

- Retirees whose employers offer vested health care benefits for life and are not eligible for Medicare benefits unless
 - Age 65, and
 - Required to have both Parts A and B of Medicare if retiree participates in Medicare Risk Plans

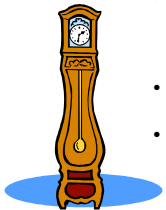


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Issue 2(b): Complexities Continued

- Retirees required to pay only the Medicare Part B monthly premium
 - “Grandfathered into Medicare Part B if individual was enrolled in an eligible organization with a risk-sharing contract on December 31, 1998”
 - Not required to purchase Medicare Part A coverage
 - One-time election for individuals who were enrolled in Medicare Part B and not eligible for Medicare Part A



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Issue 2(b): Complexities Continued

- Enrollment in non-M+C district-sponsored health plan, such as Blue Cross or Maxicare, which does not require Medicare Part A.
- Retirees enrolled in these two plans must purchase Medicare Part B
- Only required to enroll in Medicare Part A if available at no cost



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Issue 2(b): Complexities Continued

- Disadvantages if retirees are required to change plans include:
 - Adjusting to a different delivery system
 - Transitioning from one group of doctors to another
 - Concern with continuity of health care
 - Concern with the quality of care
 - Claims processing vs. co-pay



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Issue 2: Recommended Action

- Inform members of Congress of the negative impact the Balanced Budget Act of 1997 has on retirees
- Lobby for amendment to
 - Allow employers to subsidize Medicare premiums
 - Allow individuals to combine earned quarters with purchased quarters so that they may qualify for premium free Medicare Part A coverage.
- Establish a coalition including other states

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